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## France

# Wine Competition Annual

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### Report Highlights:

**In 1998, France was the world's second largest wine producer after Italy with 52.6 million hectoliters. Net exports of wine and spirits are worth FF 40 billion (\$7 billion), by far the food industry's largest export. French exports of wines account for 66 percent of total French production, while imports represent only 10 percent.**

**French imports of U.S. wines increased 13 percent in 1998 to \$8 million. U.S. wines face strong competition from other non-EU suppliers. Mondavi and Gallo are both established leaders in the French market.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
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## EXECUTIVE SUMMARY

The European Union (EU) has 45 percent of the world's total vineyard areas and produces as well as consumes 60 percent of the world's wine. France alone represents 12 percent of the world's vineyard areas, 20 percent of wine production worldwide and 16 percent of the world's wine consumption. EU wine production has evolved considerably since 1987 due to efforts to reduce crop areas and control yields. Thus in France, 102,000 hectares (HA) of vines have been uprooted; 151,000 HA have been replanted; and 54,000 HA were planted between 1987 and 1998.

Approximately 53 percent of French vineyards are dedicated to appellations of origin wines (AOC and VDQS), 37 percent to table wines and 10 percent to wines for eaux-de-vie, cognac and armagnac. (See definitions below). As the wine market expands globally, several countries (United States, Argentina, Chile, South Africa and Australia) with more flexible wine production methods are increasing their presence worldwide.

The growth in trade and the EU's expansion to include Central and Eastern European countries will intensify competition among European wines. The Government of France (GOF) has urged European growers to adapt to changing consumer demand in order to better compete with emerging third countries and in new markets. The new Common Organization of the Wine Market must redefine itself and simplify existing regulations.

### DEFINITIONS:

1. Appellation of Origin (AOC) wines: Certifies the wine's regional origin, manufacturing process, specificity, and alcoholic content. AOC wines must undergo taste tests by the French Institute of Appellations of Origin (INAO). Nearly 45 percent of French wines and spirits are designated AOC.
2. Quality Wines (VDQS): Although less strict than AOC, this also certifies origin, yields, etc. VDQS wines are subject to taste tests as well.
3. VQPRD Wines (Quality Wines Produced in Determined Regions or Areas): This is a European classification that combines French AOC wines and VDQS wines.
4. Table Wines: Wines other than AOC and VDQS. These wines include country wines (*vins de pays*) which are regionally produced and are often of higher quality than ordinary table wines. They follow certain rules including analytical tasting, various specified controls, and no mixing of wines from different regions.

5. French Wine Marketing Year (MY): September to August. Thus, MY 1997/98 is the period September 1997 to August 1998.

6. Average exchange rates:

Calendar Year 1997: USD 1.00 = FF 5.83

Calendar Year 1998: USD 1.00 = FF 5.90

January-October 1999: USD 1.00 = FF 6.07

One EURO = FF 6.58436 = \$0.99 (as of December 6, 1999)

## SECTION I. SITUATION AND OUTLOOK

In 1998 French wine production amounted to 52.6 million hectoliters (MHL), five percent less than the 1997 production level. Of total production, 24.3 MHL were VQPRD wines, 18.4 MHL table wines, and 9 MHL wines for cognac production. This decrease was mainly due to weather conditions. Frosts in mid-April followed by warm, dry weather in early August resulted in swollen grapes. Heavy rains in early September stabilized the situation in certain regions. Overall wine crop in 1998 was promising in quality, high in sugar content and satisfactory in acidity levels; a millesime of quality was announced.

During 1998, total French wine and spirits exports increased by 6.5 percent in value to reach FF 45.8 billion (\$8 billion), of which wine exports registered a record increase of 13.7 percent in value, compared to 1997, to FF 34.8 billion (\$6 billion), for an exported volume of 16.4 MHL. France's major clients remained Germany, the United Kingdom, Belgium/Luxemburg and the United States. France's exports of wines to the United States represents 12 percent in volume of total French wine exports, and an increase of two percent compared to the previous year. The financial crisis and the importance of stocks slowed French exports of wines to Southeast Asia in 1998; however, Japan increased its imports of French wine by 88 percent. Spirits sales were affected not only in Asia but also in Russia.

Total French wine imports in 1998 decreased 2.2 percent in volume to 5.5 MHL, valued at FF 3,065 million (\$519 million). Bulk table wines represented 75 percent of total French wine imports, an increase of 3.6 percent from 1997. Bulk imports of VQPRD wines are decreasing. Bottled imported wines are mainly red wines. Italy and Spain remain France's major suppliers of wines. Imports of U.S. wine into France increased by 13 percent in 1998, compared to 1997; however, total U.S. market share of French imports is only 0.8 percent in volume, or FF 47 million (\$8 million).

In August 1998, the European Commission proposed to reform the Common Organization of the Wine Market (document COM 98/370, final 98/0126 CNS). This proposal is part of the Agenda 2000 proposals and includes an estimated budget of 1.3 million Euro per year. It will take effect on August 1, 2000. In the meantime, the French Government continues to financially support wine growers' efforts to adapt their vineyards to new market conditions. During Marketing Year (MY) 1997/98, uprooting of vines declined, while yields from new plantings rose.

In response to increasing competition in France and Europe, and in view of changing consumer preferences in France and in foreign countries, the French Office for Wines and Vines (ONIVINS) and the French export promotion agency (SOPEXA) launched advertising campaigns targeting domestic and the export markets. Domestic advertising focuses on regional wines, while international advertising targets VQPRD wines.

The French Ministry of Agriculture reports that in 1999 wine production reached 61.7 MHL, up 17 percent from 1998. This rise in wine production results from growth in yields across all wine regions. French customs officials say that during the period January-June 1999, French wine exports decreased by 10.2 percent in volume but rose in value by 1.6 percent from the previous year, amounting to FF 16 billion (\$2.6 billion). Significant price increases affected mainly exports of AOC wines from Bordeaux, Burgundy, Beaujolais and Loire Valley regions. The European Union takes 74 percent of total French wine exports in volume and 59 percent in value, a net increase compared to the first quarter of 1998. The United States, which imports \$828 million worth of wine, ranks fifth among France's clients in volume.

## SECTION II. STATISTICAL TABLES

## 1. PS&amp;D Table:

PSD Table						
Country	France					
Commodity	Wine				(1000 MT)(1000 HL)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		08/1997		08/1998		08/1999
TOTAL Grape Crush	0	0	0	0	0	0
Begin Stock (Ctrl App)	31037	35156	39912	39722	21725	20087
Begin Stock (Other)	800	4398	8627	11573	8661	7386
TOTAL Beginning Stocks	31837	39554	48539	51295	60280	59156
Prod. from Wine Grapes	59650	55112	55112	52600	52600	61700
Prod. from Tabl Grapes	0	0	0	0	0	0
TOTAL PRODUCTION	59650	55112	55112	52600	52600	61700
Intra-EU Imports	4651	5372	5372	4740	5024	5024
Other Imports	745	389	389	736	478	478
TOTAL Imports	5396	5761	5761	5476	5502	5502
TOTAL SUPPLY	96883	100427	109412	109371	118382	126358
Intra-EU Exports	9517	10841	10841	11634	11634	11654
Other Exports	4727	4496	4496	4786	4786	5049
TOTAL Exports	14244	15337	15337	16420	16420	16703
Dom.Consump(Cntrl App)	15186	15644	15644	15644	15644	17001
Dom.Consump(Other)	18914	18151	18151	18151	18151	18410
TOTAL Dom.Consumption	34100	33795	33795	33795	33795	35411
End Stocks (Cntrl App)	39912	39722	40722	39409	46139	44317
End Stocks (Other)	8627	11573	19558	19747	22028	29927
TOTAL Ending Stocks	48539	51295	60280	59156	68167	74244
TOTAL DISTRIBUTION	96883	100427	109412	109371	118382	126358

Source: French Office for Wines and Vines (ONIVINS) and  
French Customs/French Center for External Trade (CFCE)

## 2. Trade Matrices:

Export Trade Matrix			
Country	France		
Commodity	Wine		
Time period	Jan-Dec	Units:	1,000 HL
Exports for:	1997	Exports for	1998
U.S.	1434	U.S.	1178
Others		Others	
Germany	3376	Germany	3344
United Kingdom	3023	United Kingdom	3222
Belgium/Lux.	1680	Belgium/Lux.	1907
Netherlands	1473	Netherlands	1616
Switzerland	673	Japan	1030
Japan	489	Switzerland	744
Denmark	684	Denmark	717
Canada	557	Canada	610
Hong Kong	256	Italy	317
Taiwan	198	Sweden	174
Total for Others	12409	Total for Others	13681
Others not Listed	1494	Others not Listed	1561
Grand Total	15337	Grand Total	16420

Source: French Customs/CFCE

<b>Import Trade Matrix</b>			
<b>Country</b>	<b>France</b>		
<b>Commodity</b>	<b>Wine</b>		
<b>Time period</b>	<b>Jan-Dec</b>	<b>Units:</b>	<b>1,000 HL</b>
<b>Imports for:</b>	<b>1997</b>		<b>1998</b>
<b>U.S.</b>	<b>39</b>	<b>U.S.</b>	<b>44</b>
<b>Others</b>		<b>Others</b>	
<b>Italy</b>	<b>2569</b>	<b>Italy</b>	<b>2397</b>
<b>Spain</b>	<b>1814</b>	<b>Spain</b>	<b>1994</b>
<b>Portugal</b>	<b>660</b>	<b>Portugal</b>	<b>455</b>
<b>United Kingdom</b>	<b>155</b>	<b>United Kingdom</b>	<b>148</b>
<b>Germany</b>	<b>81</b>	<b>Chile</b>	<b>60</b>
<b>Bulgaria</b>	<b>65</b>	<b>Morocco</b>	<b>59</b>
<b>Morocco</b>	<b>56</b>	<b>Germany</b>	<b>55</b>
<b>South Africa</b>	<b>33</b>	<b>Bulgaria</b>	<b>59</b>
<b>Algeria</b>	<b>26</b>	<b>Greece</b>	<b>50</b>
<b>Greece</b>	<b>31</b>	<b>South Africa</b>	<b>35</b>
<b>Total for Others</b>	<b>5490</b>	<b>Total for Others</b>	<b>5312</b>
<b>Others not Listed</b>	<b>232</b>	<b>Others not Listed</b>	<b>193</b>
<b>Grand Total</b>	<b>5761</b>	<b>Grand Total</b>	<b>5549</b>

Source: French Customs/CFCE

**3. Price Tables:**

Average 1998 FOB Prices of Bottled VQPRD Wine  
Alcoholic Content below 13%  
(USD/liter)

	White Wines		Red Wines	
	Average Price	% 1997/98(*)	Average Price	% 1997/98 (*)
Champagne	15.30	-11.1	--	--
VQPRD Still wines	4.35	+ 6.1	4.82	+6.7

Source: French Customs/CFCE

Average 1998 FOB Prices Table Wines  
(USD/Liter)

Table Wines and Country Wines with an alcoholic content not exceeding 13% by volume	Country Wines		Table Wines	
	Average Price	% 1997/98(*)	Average Price	% 1997/98(*)
White in bottles	2.13	-2.9	1.39	-0.4
White in bulk	1.06	-11.6	0.45	-17.0
Red/Rose in bottles	1.75	-0.9	1.44	+2.9
Red/rose in bulk	.85	-0.6	0.74	+4.8

Source: French Customs/CFCE

\* % change 1997-1998 is calculated on the wine price in French francs.

Wine Price Evolution and Retail Sale Prices  
From 1990 to 1998

Years	Wholesale Prices Index			Retail Price in USD/liter		
	Table Wines	VQPRD Wines	Sparkling Wines	Total	Alcoholic content of 11% by volume	Alcoholic Content of 12% by volume
1990	100	100	100	100		
1991	104.7	106.3	108.2	106.4		
1992	107.1	111.3	110.1	110.0	1.24	1.36
1993	106.4	110.4	105.9	108.4	1.22	1.34
1994	105.8	110.3	102.7	107.5	1.19	1.34
1995	109.8	113.6	101.4	110.1	1.22	1.39
1996	114.9	117.4	102.1	113.5	1.29	1.46
1997	116.2	119.1	103.4	114.9	1.31	1.47
1998	100.6	102.7	102.1	102.1	1.32	N/A

Note: All above indices are current

N/A = Not Available

Source: INSEE

**4. Tariff Table:**

## Taxes on Wines Imported into France from Outside the EU

HTS Codes (*)	Types of Wines	EU Customs Duties (ECU/HL)	French Transportation Tax (ECU/HL)	French Value Added Tax (TVA)
22 04 10	Sparkling wines	33.30	8.32	20.6%
22 04 21	Volume of still wines with alcoholic content not exceeding 13%:			
	- in containers holding 2 liters or less	13.70	3.34	20.6%
22 04 21	- In containers holding more than 2 liters	10.30	3.34	20.6%
22 04 29	Volume of still wines with alcoholic content above 13% but not exceeding 15%:			
	- In containers holding 2 liters or less	16.00	3.34	20.6%
	- In containers holding more than 2 liters	12.60	3.34	20.6%

Note: The current value of the ECU is FF 6.58436

Footnotes: (\*) Harmonized Tariff Schedule

HL = Hectoliters

EU customs duties are calculated as a percentage of the ad valorem value of the product. Also, as a result of the implementation of the World Trade Organization (WTO) and the Uruguay Round Agreement on July 1, 1995, over a six year period, starting September 1, 1995, customs duties are being decreased by 20 percent.

## **SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING**

### **Production**

#### **1. General Production**

In 1998, there were 250,500 French wine growers cultivating a total area of 872,773 hectares of vineyards. This represented about a four percent decrease in the number of wine growers over the previous year. About 53 percent of French vineyards is devoted to VQPRD wines and represents 25 percent of Europe's vines. France and Italy have the largest areas under vines, followed by Spain.

The three largest French wine producing regions--Languedoc-Roussillon, Aquitaine, and Provence/Alpes/Cote d'Azur--accounted for 64 percent of total French wine production in 1998. French vineyards made up 11.8 percent of all harvested agricultural areas, compared to 11.9 percent in Italy and 15.8 percent in Spain.

Unfavorable climatic conditions early in the marketing year and diseases reduced French wine production in 1998 to 52.6 MHL, one of the lowest levels in the last several years. The 1998 crop remained stable for VQPRD wines while the table wine crop harvest decreased compared to 1997.

During MY 1997/98, the GOF continued to provide financial assistance to French wine growers of ordinary table wine in order to help improve their vineyards. During MY 1997/98, FF 24,000 (\$4,068) per hectare was allotted for this program. This financial assistance will continue until the European Community Market Organization (CMO) is put in place.

#### **2. Crop Area and Yields**

In 1998 French vineyards totaled 872,773 hectares, slightly up from 872,558 hectares in 1997. In 1998, VQPRD wine crop areas reached 471,822 hectares; table wines crop areas, 317,089 hectares; and wines for cognac and armagnac, 83,862 hectares. 1997's figures were 461,169 hectares, 326,064 hectares and 85,325 hectares, respectively. The growth of crop areas resulted from continued reduction of uprooting and from the EU's vineyard restructuring program supporting new plantings.

On a total planted area of 872,773 hectares, French average yield was 62.2 hl/ha in 1998, compared to 63.2 hl/ha in 1997 or a decrease of 1.5 percent.

### 3. Production Policy and Government Support

#### - EU Export Subsidies and World Trade Organization (WTO) Agreements on Wines

Table wines and liquor wines without appellation, as well as concentrated grape must, can benefit from EU export subsidies. This subsidy, however, is granted only for certain countries and the wines involved are subject to specific analyses and agreements. During CY 1998, the volume of French table wine exported with EU export subsidies amounted to 338,793 HL, and the amount paid by ONIVINS was FF 30 million (\$5.08 million).

MY 1997/98 was the third year for the application of the EU agreements under the WTO implemented on July 1, 1995. According to these agreements, the EU must reduce the volume of subsidized wine exports by 21 percent, and the value by 36 percent. These reductions will take place over a six-year period, from September 1, 1995 through September 2000 and will be based on subsidies for wine exports during the reference period 1986-1990 (3,080 million hectoliters and 64.5 million Euros, or \$83 million).

#### Consumption

French Wine Consumption by Category  
For Marketing Years 1996/97 and 1997/98  
(In 1,000 HL)

Wine Category	1996/97	1997/98
VQPRD Wines	15,644	17,001
Table Wines	18,151	18,410
<b>TOTAL</b>	<b>33,795</b>	<b>35,411</b>

Source: DGI/DGDDI (General Customs Office, Excise Taxes)

Per Capita French Wine Consumption by Category  
For Marketing Years 1996/97 and 1997/98  
(liters)

Category of Wines	1996/97	1997/98
VQPRD Wines	26.7	28.9
Table Wines	31.0	31.3
<b>TOTAL</b>	<b>57.8</b>	<b>60.2</b>

Source: DGI/DGDDI (General Customs Office, Excise Taxes)



Today, French wine consumption averages 60 liters per person per year, compared to 120 liters in 1970 and 90 liters in 1980. A study conducted by the National Institute for Agricultural Research (INRA) and the ONIVINS shows that about 35 percent of French consumers never drink wine, while 39 percent (39 percent men and 40 percent women) drink it occasionally and most frequently in social settings and restaurants, and only 26 percent (35 percent men and 16 percent women) drink it regularly. While occasional wine drinkers are growing in numbers, the number of regular wine drinkers is on the wane. Experts say trend will continue. Nine out of ten bottles of wine sold in France are bought by consumers over the age of 35. 60 percent of those between the ages of 18 and 30 do not drink wine. They associate wine with past traditions customs which no longer suit their lifestyles.

Since 1980, mineral water consumption during meals increased 87 percent and soft drinks by 131 percent. This trend affects all social classes. Even farmers, who are traditionally heavy wine drinkers, now consume wine during one out of three meals, down from two meals out of three meals 20 years ago. The middle and low income French population is switching from wine to beer.

## **Trade**

### **1. Exports**

In 1998, the total value of French wine exports grew by 13.7 percent from 1997 to FF 34.8 billion (\$6 billion). Total quantity of French wine exports reached 16.4 MHL, 31 percent of the total French wine production and an increase of seven percent from the 1997 level. The trade surplus in wine for calendar year 1998 was FF 31.7 billion (\$5.4 billion), an increase of 15 percent over the previous year. This increase in wine exports is due to increasing purchases among France's major clients, namely Japan (+87.9 percent), Italy (+52.5 percent), Norway (+27.4 percent), Belgium/Luxemburg (+14.7 percent), the United Kingdom (+12.6 percent), Canada (+23.1 percent), and the United States (+9.5 percent).

VQPRD wine exports in 1998 rose in value by 13 percent and in volume by 5 percent. The EU's share of all French exports makes up 71 percent in volume and 57 percent in value. Within the EU, France's major clients are the United Kingdom, Germany, and Belgium-Luxemburg. Major non-EU export markets for VQPRD wines are led by Japan followed by Canada, the United States and Norway. French exports of bottled VQPRD wines account for about 40 percent of the total French wine exports.

### **2. Imports**

Total French imports in 1998 remained the same in volume as the previous year but rose in value by seven percent to FF 3.11 billion (\$0.5 billion). 74% of all French wine imports are bulk white table wines. Total VQPRD wine imports decreased seven percent in volume, while table wine imports increased six percent. France's top suppliers are Italy, Spain and Portugal.

### **3. Domestic Support and Impact on Trade**

The GOF subsidizes the wine sector through the ONIVINS. The ONIVINS's total budget in CY 1998 totaled FF 490 million (\$83 million), down from FF 516 million (\$88.5 million) in 1997. FF 377 million (\$64 million) went to

orientation and intervention expenses; FF 108 million (\$18 million) to operational expenses, and FF 5 million (\$1 million) to working capital.

The ONIVINS also administers and implements EU subsidies. During CY 1998, EU subsidies allocated to the French wine sector included export refunds and aids earmarked for vineyard restructuring, distillations, grape juice fortification and additional sugar. During CY 1998, FF 165 million (\$28 million) were allocated to wine growers for restructuring and renovating vineyards by uprooting old vines and planting new ones.

#### **4. European Community Market Organization (COM) and French Aid to the Renovation of the Vineyard**

CAP reform of May 21, 1992 does not cover wines. 1971's European Community Market Organization (CMO), which coordinates EU wine practices and production, carries out reforms involving wines. In August 1998, the European Commission created a new CMO to help the EU wine industry adapt to new market conditions. This project will take effect in August 2000 and is expected to cost 1.3 billion ECUs (approximately \$1.5 billion) per year. The revised CMO will simplify current legislation by:

— Replacing current distillations (preventive, mandatory or support) with a more flexible system that will address such "crises" as overproduction. The preventive distillation will be replaced by a certain distillation that will supply alcohol and products made from wine markets (vinegars and aromatized wines).

— Modifying the EU's system of planting and uprooting vines. The new reform provides an average bonus of 9,000 ECUs per hectare for grubbing 5,000 hectares of vines per year.

— Having the EC reimburse wine growers for losses resulting from reconversion, uprooting or planting. However, purchases of new equipments will be financed only 50 percent by Brussels, the other half being paid by the producer.

By Regulation of July 1998, the EC instituted a quota of 2,584 hectares to be split between planting new vines of VQPRD (1,571 hectares) and table wines (1,013 hectares). New planting is expected to be carried out over two marketing years.

The EU Regulation which supports vine uprooting (originally Regulation 1442/88 CEE) has been extended to MY 1998/99. During the marketing years 1997/98 and 1998/99, it gave France a maximum quota of 3,895 hectares with EU support. Preventive distillation was added in October 1998 to take excess production off the market. The ceiling for preventive distillation was limited to 8 MHL within the EU--4 MHL in Italy, 2.7 MHL in Spain, 1 MHL in France, 200,000 HL in Greece, 70,000 HL in Germany and 30,000 HL in Austria.

## **MARKETING**

### **1. Infrastructure and Distribution**

Wholesalers and importers make up France's wine distribution system. Wholesalers frequently sell to specialized wine stores, food stores, restaurants and institutions. Importers sell to supermarkets. Mail order sales are generally made directly from the producer. Supermarket sales account for 60 percent of total wine sales; specialized wine stores, 19 percent; direct purchases, 13 percent; the general food stores, eight percent.

Supermarket sales are valued at FF 19 billion (\$3.2 billion). In 1998, wine consumption reached 34 MHL, of which restaurants, hotels and cafes accounted for 12 MHL and homes, for 22 MHL. Out of the 22 MHL of wine consumed in homes, 11 MHL were purchased in supermarkets and the rest in specialized stores or directly from wine growers. Of the 11 MHL sold in supermarkets, 5.3 MHL were VQPRD wines while 5.7 MHL were table wines. In both cases, wines sold were mostly red.

### **2. Policy: Safety Laws and Labeling**

#### **-- The Impact on French Wine Consumption of the Evin Law, and other Regulations Against Alcohol**

In 1992, the GOF instituted regulations that limited radio and TV advertisements promoting alcohol. These regulations were followed by two additional decrees in 1993 which regulate advertising at point of sales and events sponsorship. The wine industry continues to lobby for the GOF to modify the Evin law.

In addition, ONIVINS has conducted several studies to better understand the effects of moderate wine consumption on health. These studies show that moderate consumption has health benefits.

It is difficult to measure the impact of restrictive laws and regulations on wine French consumption. Although wine consumption began drop even before the law took effect, laws against drinking and driving have dramatically lowered alcohol consumption among consumers dining out.

## -- Labeling Regulations

Labels on U.S. wines exported to France must include:

- ! Net contents of the bottle, in milliliters, centiliters or liters.
- ! Name and address of the French importer preferably printed on the main label. However, small stick-on labels can also be applied by the French importer.
- ! The wine's alcohol content.
- ! Indication of manufacturing lot.
- ! Indication of country of origin.

EU labeling regulations allow the US government-authorized indication of two vine varieties for table wines provided the wines are exclusively from those vines. All varieties should be listed using the same print and field of vision, the most important variety topping the list. Products must have a design on the label that indicates geographic origins, i.e., reproduction of the city where wine is sold.

In addition, imported wine should meet regulations on oenological practices and processes stipulated in EU Regulation 822/87, published in the EU Official Journal L 83 dated March 27, 1987. EU Regulation 2390/89 requires that wines be accompanied with analytical bulletins.

The EU is working on a new wine accord with the United States that will cover such issues such as oenological practices, geographic indications, etc.

## 3. France Market Development Activities

Public assistance for domestic and international promotion of wines and spirits come from the French national market promotion agency (SOPEXA) which has actively promoted French food products and wines.

During CY1998, ONIVINS had a budget for financing international promotional campaigns of French wines was FF 57 million (\$10 million), an increase of 32 percent over 1997. The GOF and inter-professional organizations underwrite this budget.

Promotional activities funded by ONIVINS focused on advertising campaigns, promotional materials, in-store promotions in specialized outlets, hotels, restaurants, as well as fairs and trade shows. New promotional actions were also conducted such as qualitative studies, reinforcement of advertising campaigns, educational programs and in-store promotions, not only in the EU (35 percent of the budget), but also in North America, Japan and in emerging markets (Eastern Asia and Central and Eastern Europe Countries), where the consumer needs to be educated. SOPEXA promotes the image of the "French Style of Living" and "French Cooking" through "French weeks" in foreign restaurants, including wine waiter contests.

#### **4. Competitor Programs/Activities**

Nearly all of the other EU countries conduct some form of market promotion in France. Wine products are commonly promoted through participation in trade shows as well as public and trade advertising and supermarket promotions. Countries that do not have export promotion agencies often use their local embassies or French importers to conduct their promotion. Non-EU countries promoting wines in France include South Africa, Chile, Argentina, the United States, Australia, and more recently New Zealand and Bulgaria.

#### **5. U.S. Market Opportunities**

Most of the American wines sold in France are bulk wines (Cabernet Sauvignon, Chardonnay, Zinfandel and Pinot) from California. U.S. wines in France face strong competition from domestic producers, and from France's leading EU suppliers (Italy, Spain and Portugal), as well as Australia, South Africa, Argentina and Chile. Central and Oriental wine markets are now emerging and should be considered as future competitors. However, there are market opportunities for U.S. wines in France, thanks in part to the "exoticism" and quality of U.S. wines, and also to the promotional efforts of Office of Agricultural Affairs at the American Embassy and the many American restaurants in Paris.

In July 1998, to increase its presence in Europe, Gallo wines invested in the French market. After Mondavi established a winery in Montpellier, South of France in March 1998, Gallo wines are now selling some 200,000 bottles of wine each year to restaurants and gourmet stores. The company is focusing on selling to Hotel/Restaurants/Institutions and supermarkets.